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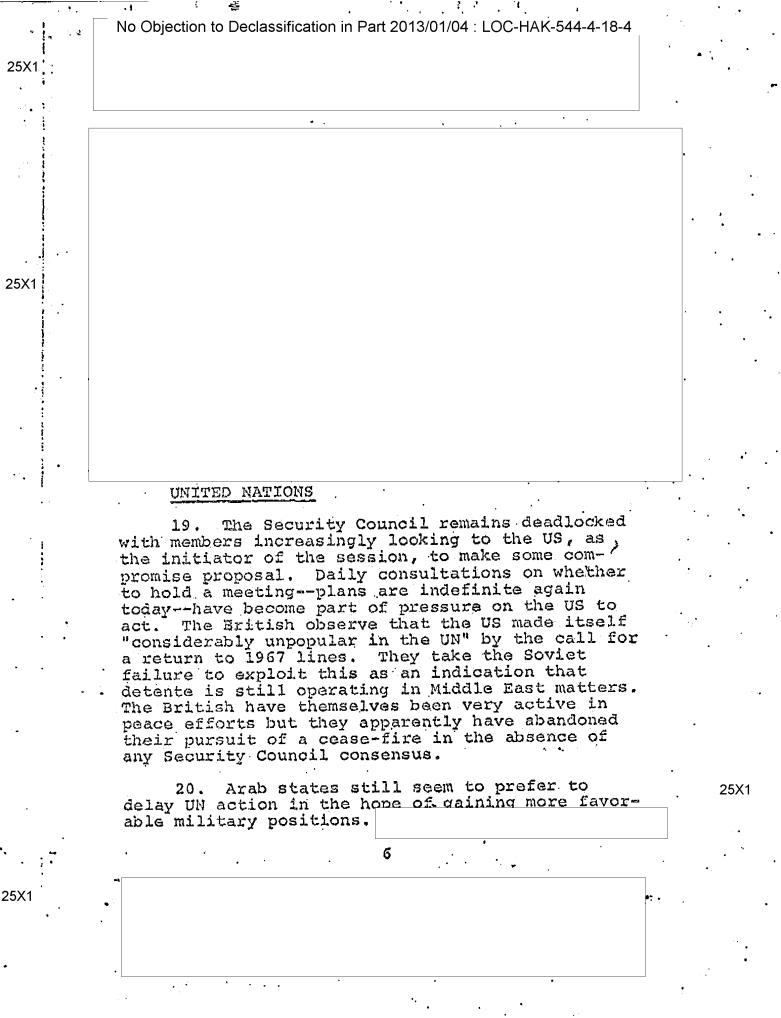
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ൎᆜ, No Objection to Declassification in Part 2013/01/04: LOC-HAK-544-4-18-4 25X1 25X1 SOVIET POLITICAL ACTIVITY 12. Moscow is taking some limited satisfaction from the Arab military performance. commentator article today, which otherwise restated the Soviet position on the need for a political settlement on Arab terms, noted that Îsraeli "aggression" had met "strong resistance" from the Egyptians and Syrians, whose armies were "displaying courage and staunchness." though this is Moscow's first significant reference to Arab fighting qualities, it does not

overplay Arab military successes. A Soviet Admiral in Helsinki yesterday displayed satisfaction that the fighting was not as one-sided as in 1967 but nevertheless deprecated Arab fighting potential. He also voiced concern lest the outbreak of hostilities complicate US-USSR discussions on arms control and European security.

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	ARAB MONEY

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- 21. Reuters from Zurich reports that Swiss banking sources and London exchange dealers state that Arab oil-producing countries have begun to convert their large dollar reserves into other currencies. The move is being interpreted as a hedge against the possibility that the US will freeze Arab dollar holdings in the US should the oil-rich nations decide to use their petroleum muscle in the Middle East war.
- 22. The Arabs have been trying to reduce their dollar holdings for some time and the exchanges noted by European dealers may simply be normal financial activity. The dollar did strengthen today against most major European currencies.

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